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## **HB 6402**

### **An Act Modernizing the State's Telecommunications Laws**

**Testimony By:  
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Good afternoon my name is David Lamendola. I am the Director of Government Affairs for Verizon, and cover both Connecticut and New York state governments. Verizon in Connecticut enjoys a large customer base for its wireless services though has a very small foot print for traditional landline phone service limited to the city of Greenwich. In Greenwich, we are a nascent cable provider, having only recently provided video service.

On behalf of Verizon, I would like to express our strong support for HB 6402 "An Act Modernizing the State's Telecommunications Laws" and to thank the committee for addressing this important piece of legislation at today's public hearing. This legislation represents a much-needed modernization of Connecticut's regulatory environment as it applies to the market for communications services.

During the past few weeks, I've had a chance to meet some of the members on the committee who challenged us to make the case of "Why Now". Our response today is because modernizing the laws applied to the communications industry will help Connecticut to recruit and retain a growing business sector that looks to states that have a moderate regulatory climate in areas where little oversight is needed. Let's look at Connecticut's history in this area. Beside the overhaul in 1985, the next time the legislature addressed telecommunications issues was in 1993, 1994, 1995, 1999 and final time in 2006. **It's been almost 7 years and everyone can agree that telecommunications and the technology used for communicating have drastically changed since then. For example, in 1999 many people still used a payphone. While a wireless phone was hard-wired to a car or some carried a phone affectionately**

**called the “brick”. Steve Jobs unveiled the iPhone to the public in 2007 at the Macworld convention in San Francisco.**

Take a look around today at people in line at Starbucks, on the train platform or waiting for their bags at the airport. Odds are, a huge number of them are staring down into a glowing mobile device, passing time by checking on friends, catching up on text or email or playing a video game that would have required a PC or home console just a few years ago. Even the references to the telecommunication companies aren’t accurate now and the Committee itself changed its name from Energy and Public Utilities in 1993 to Energy and Technology in 1995. To state this simply and with all due respect, Connecticut needs to step on the gas or be left in the slow lane.

Substantial portions of the existing regulatory structure in Connecticut reflect policies developed in the days when landline telephone service was provided by regulated monopolies. That is no longer the case, and as a result, the existing regulatory framework now imposes unnecessary and burdensome requirements on Verizon and other communications service providers in Connecticut despite the existence of substantial competition and increased consumer choices.

Consumers today choose their communications services based not only on the costs of those services, but also their convenience and technological preferences, such as wireless versus landline. As telecommunications competition has increased, regulators, companies, and state legislators have begun to reassess the need for and the type of regulation necessary when consumers have multiple options for communications services, including wireline, cable-voice, and wireless options. Among households with both landline and wireless telephones, 29.9% received all or almost all calls on the wireless telephones, based on data for the period January–June 2012. These wireless-mostly households make up 15.9% of all households. In other words, for 40 percent of the country, landline service is an afterthought. This is particularly true in Connecticut, where traditional landline telephone providers have lost significant market share as a direct result of strong competition from alternate providers such as wireless, VoIP and the cable companies. Even the AARP offers a wireless service to its membership through Consumer Cellular, which competes against Verizon for customers every day. This isn’t a bad thing. But it’s a reminder how the industry has evolved through the years.

Connecticut’s rules for telephone companies have not kept pace with the stunning changes in the telecommunications market. They were written in the days when we had one phone company for a specific geographic area and everybody only had landlines. In 2001, Verizon provided telephone service to twice as many customers in Greenwich as it does today. Back then most of our customers weren’t using email. Text messaging was in its infancy, and people didn’t see wireless phones as competition for landline phones. Today, we’ve lost over half of those customers to alternative providers that are not regulated to the degree that Verizon’s wireline operations are.

Outdated regulatory requirements are counterproductive in a competitive environment because they do not reflect the factors that truly drive provider performance and

consumer choice. Given the revolutionary changes in the market, consumers are best served when all competitors can operate in an environment free of unnecessary and burdensome regulations. Free and fair competition ensures that communications companies continue to strive to meet or exceed their customers' needs. Proof of that are the falling prices and expanding services provided by cellular carriers and broadband service providers — which happened not because of regulatory requirements, but because of competition. A provider's success in the marketplace is driven by the knowledge that an unsatisfied customer can “vote with their feet” and choose from multiple providers offering the quality services they want at a desirable price.

HB 6402 would take significant and positive steps towards modernizing the regulatory framework for telecommunications in Connecticut. The legislation would streamline the regulatory obligations of regulated providers of telecommunications services in the state. The legislation does not deregulate telecommunications service providers as some opponents of the bill have suggested. The Public Utility Regulatory Authority will retain its current statutory role of regulating the provision of telecommunications in the state in a manner designed to foster competition and protect the public interest. In addition, the legislation expressly provides that the State's generally applicable consumer protection laws, which include the Connecticut Unfair Trade Practices Act (Conn. Gen. Stat. Chapter 735a, Sections 42-110a, *et seq.*), will continue to apply, as they do to other services offered in the state. In addition, existing social programs and services will remain in place. Specifically, the Lifeline assistance program, relay services for the hearing and speech impaired, and E-911 services are not affected by this bill.

### **Create and Maintain Jobs**

Modernizing the State's telecommunications laws will help attract new investment to the communications sector, so that consumers can continue to receive new and innovative services they want at competitive prices. New investment in telecommunications networks is necessary to deliver this result, and the states that attract it will also reap the added rewards of job creation and economic growth. Take Florida as an example, who recently went much further with reform than what we're reviewing today. As a result, we're seeing more and more financial firms relocating to Florida from New York. These firms relocated for many reasons, but the investments in telecommunications infrastructure are also helping make a decision to relocate easier. These firms have relocated to Florida, but keep sales offices in New York. A flight from Palm Beach International Airport to NYC takes two-and-a-half hours. With a six-o'clock flight, an investor can be in New York by 8:30 a.m., and by 9:00 or 9:30 a.m. they can start taking meetings. I would compare this to some commutes from people in Connecticut who have an hour-and-a-half to two-hour commute from door to door, maybe more. Connecticut has a chance to compete against Florida, but without these modest changes under consideration today, they may face a similar fate as New York.

The Communications Workers of America have calculated on the basis of a Department of Commerce model that \$5 billion invested in broadband infrastructure creates 100,000

new jobs in the telecommunications and information technology industries in the year in which the spending occurs.

Researchers at the Information Technology and Innovation Foundation project that \$10 billion of investment in one year in broadband networks will support an estimated 498,000 new or retained jobs throughout the entire U.S. economy for a year. These include direct jobs, such as technicians to build broadband cable and equipment; indirect jobs created to supply the materials; and induced jobs, such as jobs in restaurants and retail stores created as the newly employed or retained workers spend their paychecks. A study by the Brookings Institution found that 300,000 private non-farm jobs are created throughout the entire economy for every one percentage point increase in broadband penetration. The authors conclude that employment in both manufacturing and services industries (especially finance, education and health care) is positively related to broadband penetration.

Updating the Connecticut statutes will help stimulate private investment and increase competitive pressure on all to upgrade their services. Conversely, the absence of regulatory reform will make it harder to achieve these benefits.

The updates proposed in HB 6401 will foster a more innovative and competitive marketplace – to the benefit of all consumers. It will also set the stage for increased investment and economic development in Connecticut. In Indiana, one of the first states to modernize its telecom and video regulations in 2006, a follow-up economic impact study determined that within a year of reform, telecom companies had invested an additional \$400 million and created thousands of new jobs in the state. In the years since, that investment has exceeded \$1.2 billion. This legislation sends the message that Connecticut is ready to be a national leader in encouraging growth and innovation in our industry.

Verizon is pleased to support the legislation before you today as a vital common sense reform of our regulatory environment. I thank you again for addressing this issue, and please don't hesitate to contact me with any comments or questions. Thank you.

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